

Position 1

**ACCOUNTING, REPORTING SYSTEM AND AUDIT AGREEMENT
APPROVAL FOR FISCAL YEARS ENDING ON OR AFTER
DECEMBER 31, 2003**

1. Borrower: _____
2. Type of entity (check one): ☐ public body ☐ nonprofit
☐ Local government ☐ Indian Tribe
3. Type of financial report required (check):
☐ A CF borrower/recipient that expended \$500,000 or more in Federal financial assistance during the borrower's/recipient's fiscal year must submit an audit report conducted in accordance with OMB Circular A-133. Expenditures include not only new Federal financial assistance provided to the borrower, but also the outstanding loan balance of any existing Community Facility loan or guarantee. Unless eligible for a program specific audit, all audits will be single audits. Borrowers/recipients are eligible for a program specific audit when they expend Federal awards under only one Federal program. (If the borrower/recipient is receiving Federal assistance from other Federal programs or is receiving assistance from more than one CF program, they do not qualify for a program specific audit.) All audits must be in accordance with Generally Accepted Government Auditing Standards (GAGA). The audit must be submitted to the Agency within the earlier of 30 days after the borrower's/recipient's receipt of the auditor's report(s) or nine months after the end of the audit period.

Submit two (2) copies of the audit report to the Agency. Also submit copies of OMB Circular A-133 audits, accompanying audit letters (the "reporting package"), and the Data Collection Form to the Federal clearinghouse designated by OMB to retain as an archival copy. The Federal clearinghouse address is: Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, Indiana 47132.

- ☐ Those exempt from providing audits under paragraph (a) must comply with 7 CFR 1942.17 (q) (5) by submitting a management report to the Agency within 60 days from the end of the borrower's/recipients fiscal year. The management report consists of Form RD 442-2, "Statement of Budget, Income, and Equity" and Form RD 442-3, "Balance Sheet." A borrower/recipient may submit financial information in other formats as long as comparable information is provided.

Audits made under this statute shall be in lieu of any financial audit required under individual Federal awards. 7 CFR 3052.220 permits some CF borrowers/recipients to undergo audits biennially, rather than annually. These borrowers are:

1. A State or local government that is required by constitution or statute, in effect on January 1, 1987, to undergo audits less frequently than annually, is permitted to undergo its audits biennially.
2. Any non-profit organization that had biennial audits for all biennial periods ending between July 1, 1992 and January 1, 1995, is permitted to undergo its audits biennially.

The auditor will provide in a statement by letter of the following:

- (a) A statement that the auditor will perform and document the audit work in accordance with Generally Accepted Government Auditing Standards, (GAGAS) and the professional standards of the AICPA,
- (b) A statement that the auditor will submit the completed audit and accompanying letters to your governing body 30 days prior to the date the audit is due to the Agency,
- (c) A statement that the auditor will make all audit-related documents, including work papers, available to the Agency or its representatives, upon request, and
- (d) A statement that the auditor will immediately report, in writing, all irregularities and illegal acts to your governing body and the Agency.
- (e) An accounting and reporting system, including an agreement with an auditor, is to be provided to RD for review and approval.

Audit firm agrees to do the annual financial report as checked and provide a statement letter, and audit agreement to Rural Development:

Auditor

Date

RHS Approval

Date